

COMPARISON OF TFSAs and RRSPs

Frequently Asked Questions	TFSAs	RRSPs	
Eligibility	Is there a minimum age to open a plan?	<ul style="list-style-type: none"> ▪ Age 18 (age of majority rule may apply to certain investments) 	<ul style="list-style-type: none"> ▪ No minimum age (age of majority rule may apply to certain investments)
	Is there a maximum age when the plan must be closed?	<ul style="list-style-type: none"> ▪ No maximum age 	<ul style="list-style-type: none"> ▪ Maximum age is Dec. 31 of the year you turn 71 ▪ Option to transfer to a registered retirement income fund (RRIF) or an annuity
	Can I open a spousal plan?	<ul style="list-style-type: none"> ▪ Not permitted 	<ul style="list-style-type: none"> ▪ Spousal RRSP is allowed
	Can I open a joint plan?	<ul style="list-style-type: none"> ▪ Not permitted 	<ul style="list-style-type: none"> ▪ Not permitted
	Can I open an in-trust plan for a minor?	<ul style="list-style-type: none"> ▪ Not permitted 	<ul style="list-style-type: none"> ▪ Not permitted
	Can I open more than one plan at a financial institution?	<ul style="list-style-type: none"> ▪ No limit on the number of plans that can be opened 	<ul style="list-style-type: none"> ▪ No limit on the number of plans that can be opened
	Can a non-resident of Canada open a plan?	<ul style="list-style-type: none"> ▪ Yes – see contributions by non-resident (Securities law restrictions may apply) 	<ul style="list-style-type: none"> ▪ Yes – see contributions by non-resident (Securities law restrictions may apply)

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Contributions	Are contributions tax-deductible?	<ul style="list-style-type: none"> ▪ No 	<ul style="list-style-type: none"> ▪ Yes
	Are annual contribution limits based on earned income?	<ul style="list-style-type: none"> ▪ No 	<ul style="list-style-type: none"> ▪ Yes
	How is contribution room determined?	<ul style="list-style-type: none"> ▪ \$5,000 per year (indexed to inflation) ▪ PLUS any previous year's unused contribution room ▪ PLUS any amounts withdrawn in previous year (other than amount withdrawn to reduce excess contributions) 	<ul style="list-style-type: none"> ▪ 18% of previous year's earned income up to a maximum amount* ▪ LESS any previous year's pension adjustment ▪ PLUS any current pension adjustment reversal ▪ PLUS previous year's unused room
	Do contributions attract federal or provincial grants?	<ul style="list-style-type: none"> ▪ No 	<ul style="list-style-type: none"> ▪ No

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Contributions Continued	If I become a non-resident, can I continue to contribute to my plan?	<ul style="list-style-type: none"> ▪ Any contributions made while you are a non-resident will result in penalty taxes 	<ul style="list-style-type: none"> ▪ Yes, if you have contribution room available (but likely no deduction will be available) ▪ Contribution room will not accumulate if you do not have earned income in Canada
	What happens if I make a contribution over my limit?	<ul style="list-style-type: none"> ▪ Excess contributions at the highest point in the month are subject to a 1% penalty tax 	<ul style="list-style-type: none"> ▪ Excess contributions at the end of the month are subject to a 1% penalty tax
	Are income and gains earned on contributions taxed while in the plan?	<ul style="list-style-type: none"> ▪ No 	<ul style="list-style-type: none"> ▪ No
	If I borrow to make my contribution, is the interest on the loan tax-deductible?	<ul style="list-style-type: none"> ▪ No 	<ul style="list-style-type: none"> ▪ No
	Can unused contribution room be carried forward to future years?	<ul style="list-style-type: none"> ▪ Yes 	<ul style="list-style-type: none"> ▪ Yes
	What types of investments can I own in my plan?	<ul style="list-style-type: none"> ▪ Must be qualified investments 	<ul style="list-style-type: none"> ▪ Must be qualified investments

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Withdrawals	Is there a minimum amount that must be withdrawn at a certain age?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> No. However, the plan must be closed or transferred to a registered retirement income vehicle by the end of the year in which you turn 71 The registered retirement income vehicle plan will likely require a minimum amount to be withdrawn annually
	Will I have to pay tax on any withdrawals?	<ul style="list-style-type: none"> No, withdrawals are not taxable 	<ul style="list-style-type: none"> The withdrawal must be included in income in the year of withdrawal and it will be taxed at your marginal tax rate
	Do withholding taxes apply to withdrawals?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> Yes
	Are annual administration fees paid considered a withdrawal?	<ul style="list-style-type: none"> If paid within the plan, not considered a withdrawal If paid outside the plan, not considered a contribution 	<ul style="list-style-type: none"> If paid within the plan, not considered a withdrawal If paid outside the plan, not considered a contribution
	Do amounts withdrawn affect federal income-tested benefits?	<ul style="list-style-type: none"> Are not taken into account in determining eligibility for federal income-tested benefits or credits, such as the Old Age Security or Canada Child Tax Credit 	<ul style="list-style-type: none"> Can impact income-tested benefits or credits delivered through the federal income tax system
	Can amounts withdrawn be re-contributed to my plan?	<ul style="list-style-type: none"> Yes. Any amounts withdrawn will be added back to your contribution room in the following year 	<ul style="list-style-type: none"> No (this does not apply to repayments made to an RRSP as a result of the Home Buyers' Plan and Lifelong Learning Plan)

Transfers	Can I transfer between the same plan type?	<ul style="list-style-type: none"> Yes – between TFSAs of the same holder (will not be considered a withdrawal or contribution) 	<ul style="list-style-type: none"> Yes – between RRSPs of the same annuitant (will not be considered a withdrawal or contribution)
	Can I transfer between different types of plans?	<ul style="list-style-type: none"> No. For tax purposes, transfers between different plan types – whether as cash or in-kind – will be treated as a withdrawal from one plan and a contribution to the other plan with applicable tax effects 	<ul style="list-style-type: none"> No. For tax purposes, transfers between different plan types – whether as cash or in-kind – will be treated as a withdrawal from one plan and a contribution to the other plan with applicable tax effects
	Are transfers between spouses and common-law partners permitted upon relationship breakdown?	<ul style="list-style-type: none"> Yes. They will not be considered a withdrawal or contribution for tax purposes 	<ul style="list-style-type: none"> Yes. They will not be considered a withdrawal or contribution for tax purposes
	Can my plan roll over to my spouse or common-law partner at death?	<ul style="list-style-type: none"> Yes, the date of death value rolls over if your spouse or common-law partner files the appropriate election 	<ul style="list-style-type: none"> Yes
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Death	Can I name a successor annuitant/holder?	<ul style="list-style-type: none"> Yes, according to federal legislation. However, the provinces have not provided legislation to allow for beneficiary designation, including successor holders, and therefore the plan would flow through the estate 	<ul style="list-style-type: none"> No. However, if the RRSP is transferred to a RRIF, a successor annuitant of the RRIF can then be named

*\$20,000 for 2008; \$21,000 for 2009; \$22,000 for 2010; indexed thereafter to Consumer Price Index

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